



GAIL FARBER, Director

COUNTY OF LOS ANGELES

DEPARTMENT OF PUBLIC WORKS

"To Enrich Lives Through Effective and Caring Service"

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December 24, 2008

IN REPLY PLEASE

REFER TO FILE: PD-1

TO: Each Supervisor

FROM: Gail Farber *Gail Farber*
Director of Public Works

IMPACTS OF THE STATE FINANCIAL CRISIS ON COUNTY ROAD PROJECTS

The State of California Department of Finance is estimating that the State's deficit will grow to \$40 billion by July 2010, and it is projected that the State will run out of operating cash by February 2009. On December 17, 2008, the three members of the State's Pooled Money Investment Account (PMIA) Board, State Treasurer Bill Lockyer, Finance Director Mike Genest, and Controller John Chiang, unanimously voted to withhold approximately \$3.8 billion in bond funds for infrastructure projects across the State. The PMIA Board members are to meet again in early January 2009 to consider any exceptions to these financing cutoffs.

Following is a summary of the impacts to the County's transportation projects along with recommendations to minimize those impacts.

Local Bridge Seismic Retrofit Program

The Local Bridge Seismic Retrofit Program (LBSRP) under Proposition 1B provides the required 11.47 percent local match to the Federal funds used to finance bridge seismic retrofit projects. Our Department has 19 projects under construction that were to be funded with \$2.2 million of these funds. We could stop work on these projects until funding is made available; however, this option is not recommended due to the significant impacts to the traveling public and costs to stop work.

Considering that seismic retrofit projects are safety-related projects, we recommend proceeding with the 19 projects currently under construction and the 15 additional projects that are scheduled to be awarded by June 30, 2009, using a total of \$5.4 million from the Proposition 1B Local Streets and Road apportionment that we received in Fiscal Year 2007-08. The 15 projects scheduled to be awarded were to be financed with \$3.2 million of LBSRP funds.

We propose to include the projects that would have otherwise been funded from this \$5.4 million in our list of projects for funding under the forthcoming Federal Economic

Each Supervisor
December 24, 2008
Page 2

Stimulus Bill. We will revise the project list for the Proposition 1B Local Streets and Road Program for your Board's approval. Per our funding agreements with the State, we will receive reimbursement from Proposition 1B LBSRP when the State has solved its fiscal crisis and bonds can be sold.

There are an additional 16 seismic retrofit bridge projects that are scheduled to be awarded in Fiscal Year 2009-10 and beyond. If the State has still not restored Proposition 1B funding, we will return with a recommendation in spring 2009 for funding the LBSRP component.

Local Streets and Roads

The State's deficit will also impact Local Streets and Roads Program. On May 16, 2008, the County received a direct allocation of \$76.9 million in Proposition 1B funds for our local streets and roads from the State. The State approved a supplemental appropriation for counties on June 30, 2008, from which the County was to receive an additional \$16.7 million. As part of the State's Fiscal Year 2008-09 budget, we were to receive an additional \$12 million. Due to the State's fiscal crisis, it is projected that we may not be able to claim the \$28.7 million from the supplemental and additional allocations until December 2009. We recommend that the projects that would have been funded with the \$28.7 million be included in our list of projects for funding under the forthcoming Federal Economic Stimulus Bill.

We are working with our Sacramento and Washington, D.C., advocates to ensure that the County gets a direct allocation of Federal Economic Stimulus Bill funding to finance both the loss of the Proposition 1B funding and our roadway improvement projects that are ready to go.

Due to partnerships with many local agencies and State departments, we are still assessing the potential impacts that this action by the State will have on our water resource projects. This assessment will be completed early next week and will be forwarded to you at that time.

If you have any questions regarding this matter, please call me at (626) 458-4002 or your staff may contact Patrick DeChellis, Deputy Director, at (626) 458-4004.

WAR:abc

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cc: Chief Executive Office (Lari Sheehan)
Executive Office